

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 NEA-14 ISO-00 OMB-01 TAR-02 SP-03 SWF-02

AGR-20 AID-20 CIAE-00 COME-00 INR-10 IO-14 LAB-06

NSAE-00 OIC-04 RSC-01 SIL-01 STR-08 TRSE-00 CIEP-02

CEA-02 DRC-01 /133 W

----- 043221

R 161000Z MAY 74

FM AMCONSUL CALCUTTA

TO SECSTATE WASHDC 3935

INFO AMEMDSSSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY NAIROBI

AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: ETRD, EAGR, IN

SUBJ: INDIAN TEA MARKETING STRATEGY

REF: A. STATE 079387; B. CALCUTTA 0856

1. ALTHOUGH WE HAVE NO INSIDE INFORMATION ON PRECISE MARKETING/PRICING PROGRAMS WHICH INDIANS AND OTHER TEA PRODUCERS MAY PRESENT IN ROME, WE CAN PROVIDE A PREVIEW OF THE SUPPORTING LOGIC AS SEEN FROM INDIAN VIEWPOINT FOR INCREASED PRICE GUARANTEES.

2. THE BIG NEW FACTOR IS THAT OF INCREASED PRODUCTION COSTS WHICH, ACCORDING TO INDIAN TEA BOARD OFFICIALS, AMOUNTED TO ABOUT RS. 1 PER KILO OF LEAF TEA IN THE NORTH BENGAL AND ASSAM AREAS IN APRIL. THIS IS ABOUT A 10-20 PERCENT INCREASE. SHORTAGES AND INEFFICIENT DISTRIBUTION OF COAL, FERTILIZER, FURNACE OIL AND FOODGRAINS IN THESE AREAS ARE ALL RESTRICTING ABILITY OF TEA GARDENS TO PRODUCE AND
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MAKING IT MORE COSTLY FOR THEM TO DO SO (THE FOODGRAIN

SHORTAGE BEING IMPORTANT BECAUSE GARDEN OWNERS HAVE TRADITIONALLY FED THEIR WORKERS; THEY HAD RECEIVED INFORMAL "ALLOTMENTS" FROM STATE GOVERNMENTS IN PAST FOR THIS PURPOSE, BUT WITH OVERALL SHORTAGE HAVE NOW HAD TO TURN TO SURPLUS STATES FOR SEPARATE PROCUREMENT AT HIGHER PRICES). INDIAN TEA OFFICIALS HERE CONTEND THAT THESE RECENT TRENDS IN INCREASED PRODUCTION COSTS ARE NOT LIKELY TO BE PASSING PHENOMENA, ESPECIALLY THOSE WHICH ARE FACTORS OF WORLD-WIDE PETROLEUM SHORTAGE.

3. INDIANS THUS PLAN TO CONSULT CLOSELY IN ADVANCE OF JUNE FAO MEETINGS WITH THOSE TEA PRODUCING NATIONS WHICH ARE, LIKE THEMSELVES, SERIOUSLY PETROLEUM-DEFICIT, AND WHOSE PRODUCTION COSTS HAVE ALSO PRESUMABLY RISEN. TO THESE COUNTRIES, ATTEMPTS TO RESTRICT ARTIFICIALLY THEIR TEA ACREAGE IN INTEREST OF STIMULATING GREATER WORLD DEMAND MAKE LITTLE SENSE. THEIR OUTPUT WILL DECREASE NATANALLY IF THERE IS NOT A PROPORTIONATE INCREASE IN MARKET PRICE. ACCORDING TO TEA BOARD OFFICIALS, THIS MEANS SRI LANKA, BANGLADESH AND KENYA, IN PARTICULAR. KENYAN DELEGATION ARRIVED IN CALCUTTA MAY 13 TO FOLLOW UP DISCUSSIONS WHICH INDIAN TEAM HELD IN JANUARY IN NAIROBI.

4. WE GATHER THAT THE LONDON AUCTION SYSTEM WILL AGAIN COME UNDER ATTACK BY EXPORTERS DURING UPCOMING FAO SESSION. INDIAN OFFICIALS HERE APPEAR TO REGARD THE INFORMAL "EXPORT QUOTA" IDEA (WHICH HAS APPARENTLY OCCUPIED THEM AT PREVIOUS FAO MEETINGS) AS OUTDATED AND NO LONGER RELEVANT TO NEW SITUATION.
PICKERING

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